

## Message Text

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70

ORIGIN EB-11

INFO OCT-01 NEA-14 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01

SWF-02 FEA-02 /185 R

DRAFTED BY EB/OT/GCP:DTMORRISON:NEA/IAI:BIZIC:JM

APPROVED BY EB/ITP:MGLITMAN

EB/IFD:SWEINTRAUB

COMMERCE:JWENTWORTH (INFO)

STR:LGRAEF (INFO)

TREASURY:TWAHL (INFO)

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R 052213Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, IS

SUBJECT: ASST. DIRECTOR GENERAL TALBAR'S DISCUSSION OF  
ECONOMIC ISSUES WITH EB OFFICIALS

1. ISRAELI COMMERCE AND INDUSTRY MINISTRY ASST. DIRECTOR  
GENERAL ADIN TALBAR CALLED SEPARATELY ON DEPUTY ASST.  
SECRETARIES GLITMAN AND WEINTRAUB ON JULY 30 TO DISCUSS  
CURRENT STATUS OF TRADE REFORM ACT AND TO OUTLINE GOI  
THINKING ON POSSIBLE APPROACHES TO IMPROVING TRADE RELA-  
TIONS.

2. GLITMAN INFORMED TALBAR THAT SENATE FINANCE COMMITTEE  
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MARK-UP OF TRA HAD RESUMED AS SCHEDULED AND WAS MOVING

AHEAD RAPIDLY. FINANCE COMMITTEE MEMBERS HAD GIVEN SOME INDICATION OF INTEREST IN RAISING FROM 5 TO 10 THE LEVEL OF TARIFFS BELOW WHICH THE ADMINISTRATION WOULD HAVE THE AUTHORITY TO REDUCE TARIFFS TO ZERO IN COURSE OF MTN. ON OTHER HAND, MEMBERS ALSO APPEARED TO BE MOVING TOWARD REQUIREMENT OF SPECIFIC CONGRESSIONAL APPROVAL OF REMOVAL OF NTB'S NEGOTIATED IN MTN--RECOGNIZING THAT THIS STIPULATION WOULD REQUIRE EXPEDITIOUS CONGRESSIONAL ACTION IN EACH CASE.

3. GLITMAN FOUND ENCOURAGEMENT IN CURRENT TRA MARK-UP PROCESS BUT NOTED THAT IMPORTANT PROBLEMS REMAINED WITH RESPECT TO LOGJAM CAUSED BY JACKSON-VANIK AMENDMENT AND

UNCERTAINTIES OF CONGRESSIONAL CONSIDERATION OF THIS AND OTHER LEGISLATION GIVEN CURRENT FOCUS ON IMPEACHMENT AND FALL ELECTIONS. NEVERTHELESS, TRA COULD BE IN HAND BY SEPTEMBER.

4. TALBAR SUGGESTED THAT THE MTN BE USED TO DEAL WITH TRADE PROBLEMS ARISING FROM ISRAEL'S EC ASSOCIATION. ISRAEL WANTED ELIMINATION OF U.S. TARIFF ON DIAMONDS (NOW 4-5) AND IN TURN WAS PREPARED TO NEGOTIATE DOWNWARD MFN TARIFFS ON ITEMS OF PARTICULAR INTEREST TO USG ON WHICH FIRST PHASE ISRAELI PREFERENCES FOR EC WOULD OTHERWISE GIVE EC SUPPLIERS IMPORTANT ADVANTAGE OVER U.S. SUPPLIERS. SECOND PHASE OF ISRAELI PREFERENCES (COVERING REMAINING 40 OF ISRAEL'S IMPORTS) WOULD BEGIN IN 1977-78 (GOI HAD RESISTED EC DEMAND FOR EARLIER IMPLEMENTATION) AND GOI WAS WILLING TO CONSIDER EXCHANGE OF UNBOUND REDUCTIONS OF TARIFFS ON ITEMS OF PARTICULAR INTEREST TO US IN RETURN FOR U.S. EXTENSION OF GSP BENEFITS TO ISRAEL. TALBAR AWARE THAT LATTER WOULD REQUIRE CHANGE IN TRADE POLICY AND AMENDMENT OF LEGISLATION IF TRA PASSED IN FORM APPROVED BY HOUSE OF REPRESENTATIVES.

5. ON GOI PROPOSALS FOR US-ISRAEL FREE TRADE AREAS, TALBAR SUGGESTED THAT YEARS OF WORK MIGHT BE INVOLVED IN EFFORT PERSUADE USG REMERITS OVERALL US-ISRAEL FTA. MEANWHILE, HE THOUGHT FTA IN ELECTRONICS FIELD OFFERED LIMITED OFFICIAL USE

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BETTER PROSPECT FOR EARLY AGREEMENT, GIVEN PRECEDENT OF US-CANADA AUTO PACT. TALBAR NOTED THAT SOME 80 OF ISRAEL'S ELECTRONICS INDUSTRY INVOLVED U.S. OWNER-SHIP OR U.S. PARTICIPATION IN JOINT VENTURES, WITH BULK OF ISRAEL'S IMPORTS OF EQUIPMENT, PARTS AND OTHER MATERIALS COMING FROM U.S.

6. GLITMAN DESCRIBED IN SOME DETAIL BACKGROUND OF AUTO

PACT NOTING THAT PACT HAD BEEN WORKED OUT ONLY WITH GREAT DIFFICULTY AND ONLY BECAUSE OF UNUSUAL CIRCUMSTANCES WHICH PREVAILED IN THE U.S.-CANADA AUTO INDUSTRY (E.G., 99 U.S. OWNERSHIP, PROXIMITY OF MARKETS INVOLVING JOINT ADVERTISING EFFECTS, ORGANIZATION OF AUTO WORKERS BY INTERNATIONAL UNION). IT ALSO WAS POINTED OUT TO TALBAR THAT GATT WAIVER ALLOWING U.S.-CANADA AUTO PACT OBTAINED ONLY WITH DIFFICULTY. EVEN IF OTHER OBSTACLES WERE OVERCOME, IT MIGHT STILL BE IMPOSSIBLE TO SECURE GATT WAIVER COVERING GOI PROPOSAL FOR LIMITED FTA. GLITMAN SUGGESTED THAT TRA PASSAGE COULD OBTAIN NEED FOR FTA IN ELECTRONICS. HE ALSO NOTED THAT WITH REGARD TO HIGH TECHNOLOGY ELECTRONICS EQUIPMENT OF TYPE TALBAR HAD MENTIONED BUYERS PURCHASED AS MUCH ON QUALITY AS ON PRICE. TALBAR AGREED WITH GLITMAN POINTS BUT NOTED

PSYCHOLOGICAL IMPORTANCE FOR INVESTMENT OF FTA ARRANGEMENT.

7. DURING SUBSEQUENT CALL ON WEINTRAUB, TALBAR RAISED SAME IDEA OF FTA IN ELECTRONICS TRADE. TALBAR ALSO RAISED GOI INTEREST IN EXEMPTION FROM BUY AMERICA ACT UNDER U.S. DEFENSE PROCUREMENT AND REPEATED GOI REQUEST FOR DESIGNATION AS ELIGIBLE SUPPLIER FOR PROCUREMENT UNDER AID GRANTS. WEINTRAUB SUGGESTED THAT PROBLEMS ASSOCIATED WITH FTA WOULD OUTWEIGH ITS DESIRABILITY. GOI SHOULD SEEK ALTERNATIVE APPROACH TO ACHIEVE GOALS IN ELECTRONICS PRODUCTION. TALBAR SPOKE OF GOI DESIRE FOR BALANCED APPROACH BY U.S. IN AID TO ISRAEL IN ORDER TO MATCH U.S. "SOFT ASSISTANCE" APPROACH TO HELPING ARAB COUNTRIES. TALBAR ALSO OUTLINED GOI INTEREST IN SETTING UP JOINT COMMITTEE AND SUBCOMMITTEES TO DEAL WITH INVESTMENT, TRADE, RAW MATERIAL, AND R&D ISSUES. LIMITED OFFICIAL USE

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TALBAR MENTIONED GOI INTEREST IN POSSIBLE FTA WITH JORDAN. HE ALSO SAID SWITZERLAND HAD RECENTLY MADE 100% REDUCTIONS OF TARIFFS ON ALL ISRAELI PRODUCTS EXCEPT TEXTILES (WHERE 50% TARIFF STILL STANDS) AND NOTED THAT GOI HAS PRESENTED GOS WITH PROPOSED LIST OF SWISS ITEMS TO BENEFIT FROM ISRAELI MFN TARIFF REDUCTIONS.

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